
By: **Delegate Barve**

Introduced and read first time: January 31, 2001

Assigned to: Economic Matters

A BILL ENTITLED

1 AN ACT concerning

2 **Insurance - Improper Premiums and Charges - Policy Fee Charged by**
3 **Surplus Lines Brokers**

4 FOR the purpose of repealing a certain limit on the policy fee that a surplus lines
5 broker may charge on each policy procured by a qualified agent or qualified
6 broker to whom the surplus lines broker pays a commission.

7 BY repealing and reenacting, without amendments,
8 Article - Insurance
9 Section 27-216(a)
10 Annotated Code of Maryland
11 (1997 Volume and 2000 Supplement)

12 BY repealing and reenacting, with amendments,
13 Article - Insurance
14 Section 27-216(d)
15 Annotated Code of Maryland
16 (1997 Volume and 2000 Supplement)

17 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF
18 MARYLAND, That the Laws of Maryland read as follows:

19 **Article - Insurance**

20 27-216.

21 (a) A person may not willfully collect a premium or charge for insurance if the
22 insurance is not then provided, or is not in due course to be provided subject to
23 acceptance of the risk by the insurer, in a policy issued by an insurer as authorized by
24 this article.

25 (d) (1) Notwithstanding subsection (a) of this section, a surplus lines broker
26 that holds a certificate of qualification under Title 3, Subtitle 3 of this article may
27 charge a reasonable policy fee[, not exceeding \$75,] on each policy procured by a

1 qualified agent or qualified broker to whom the surplus lines broker pays a
2 commission.

3 (2) The policy fee charged in accordance with this subsection must be
4 reasonably related to the cost of underwriting, issuing, processing, and servicing the
5 policy by the surplus lines broker for the surplus lines insurer.

6 (3) Notwithstanding subsection (a) of this section, a surplus lines broker
7 that holds a certificate of qualification under Title 3, Subtitle 3 of this article may
8 recoup from the prospective insured the actual cost of an inspection required for the
9 placement of surplus lines insurance if:

10 (i) the inspection is required by the surplus lines insurer;

11 (ii) the cost of the inspection is actually incurred by the surplus
12 lines broker and not retained by the surplus lines broker;

13 (iii) the surplus lines broker does not have a financial interest in
14 and does not receive compensation from the person that performs the inspection; and

15 (iv) the cost of the inspection is documented and verifiable.

16 (4) Regardless of the number of insurers participating on a risk:

17 (i) only one inspection fee may be charged to recoup the actual cost
18 of an inspection under paragraph (3) of this subsection for each policy or certificate of
19 coverage; and

20 (ii) only one policy fee may be charged under paragraph (1) of this
21 subsection for each policy or certificate of coverage.

22 (5) On a form approved by the Commissioner, the surplus lines broker
23 shall make a clear and conspicuous written disclosure of:

24 (i) any inspection fee;

25 (ii) the total amount of the policy fee; and

26 (iii) the premium tax on the policy.

27 SECTION 2. AND BE IT FURTHER ENACTED, That this Act shall take effect
28 October 1, 2001.